

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 EUR-12 EA-10 NEA-10 IO-13 ISO-00
SSO-00 INRE-00 NSCE-00 USIE-00 AID-05 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 L-03 H-01 ITC-01 /128 W
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O 311804Z MAR 78
FM AMEMBASSY MADRID
TO SECSTATE WASHDC IMMEDIATE 4065
INFO AMEMBASSY BRASILIA PRIORITY
AMEMBASSY MONTEVIDEO PRIORITY
AMEMBASSY NEW DELHI PRIORITY
AMEMBASSY SEOUL PRIORITY
AMEMBASSY MEXICO PRIORITY
USMISSION GENEVA IMMEDIATE

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USMTN FOR MTN GENEVA

E.O. 11652: N/A
TAGS: ETRD, MTN, SP
SUBJECT: USG HANDLING OF AUTOMOTIVE EXPORT REQUIREMENTS
IN MTN

REF: A) STATE 258716 10/25/77, B) SEOUL 9130, C) SEOUL
A-20, D) MADRID 1480, E) MADRID A-08 01/31/77

1. TWO US FIRMS PRODUCE AUTOMOBILES IN SPAIN: FORD AND
CHRYSLER. BOTH FIRMS HAVE AGREED TO EXPORT A PORTION OF
THEIR PRODUCTION IN RETURN FOR CONCESSIONS GRANTED BY THE
GOS. FORD EXPORTS 67 PERCENT, CHRYSLER 20 PERCENT. AS
THESE OBLIGATIONS WERE NOT IMPOSED ON THE FIRMS, BUT
RATHER WERE ASSUMED AS A RESULT OF NEGOTIATIONS, IT IS
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DIFFICULT TO SUSTAIN AN ARGUMENT THAT THEY ARE UNFAIR.
THERE IS NO INDICATON FROM EITHER FIRM'S OFFICERS IN
SPAIN THAT THEY FIND THE OBLIGATIONS ONEROUS, ALTHOUGH
THEY HOPE EVENTUALLY THAT THEY WILL BE MODIFIED.

2. WHILE A CASE MAY BE MADE THAT THE EXPORT REQUIREMENT
PROTECTS DOMESTIC PRODUCERS, IN FACT SPAIN'S HIGH

AUTOMOBILE TARIFFS PROVIDE VASTLY GREATER PROTECTION. THE REASON FOR THE GOS EMPHASIS ON THE EXPORT "PERFORMANCE REQUIREMENT" IS FOUND IN THE COUNTRY'S CHRONIC TRADE DEFICIT - SPAIN TRADITIONALLY IMPORTS TWICE AS MUCH AS SHE EXPORTS - AND RESULTANT PAYMENTS DEFICIT. THE EXPORT REQUIREMENT, COUPLED WITH CONCESSIONS TO FOREIGN INVESTORS, THUS IS A STRAIGHT-FORWARD ATTEMPT TO ADDRESS THE PAYMENTS IMBALANCE, NOT TO PROTECT DOMESTIC PRODUCERS. IT IS ALSO WELL TO RECALL THAT ONLY SEAT (PRODUCING CARS ON LICENSE FROM FIAT) IS A WHOLLY-SPANISH PRODUCER. THE OTHER TWO DOMESTIC PRODUCERS ARE RENAULT (50.1 PERCENT SPANISH-PARTICIPATION) AND CITROEN (55 PERCENT SPANISH-PARTICIPATION).

3. FORD IS LIMITED TO A 10 PERCENT SHARE OF THE DOMESTIC MARKET. CHRYSLER'S GROWTH RATE IN THE DOMESTIC MARKET IS LIMITED TO A PERCENTAGE OF ITS INCREASE IN EXPORTS IN THE YEAR PAST. AGAIN, BOTH FIRMS HAVE ACCEPTED THESE CONDITIONS FREELY IN RETURN FOR CONCESSIONS FROM THE SPANISH GOVERNMENT.

4. WE DO NOT CONSIDER PRESENT GOS INVESTMENT REQUIREMENTS STRINGENT. TREND IS TOWARDS LIBERALIZATION.

5. IN VIEW OF THE FOREGOING WE WOULD BE DISINCLINED TO RECOMMEND PUSHING GOS FOR CONCESSIONS IN THIS AREA.
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6. IN A WIDER CONTEXT WE ARE CURIOUS WHY THE US IS SEEKING CONCESSIONS IN FAVOR OF US FOREIGN-BASED SUBSIDIARIES AT THE MTN. THE ESSENTIAL DISTORTION WITHIN THE SPANISH MARKET IS CREATED BY THE COUNTRY'S HIGH TARIFFS. IT DOES NOT SEEM TO US THAT ELIMINATION OF THE EXPORT REQUIREMENT WOULD CREATE ANY IMPROVED CONDITION FOR ENTRY OF AUTOMOBILES PRODUCED IN THE U.S. IT WOULD APPEAR ANOMALOUS TO US IF USG EFFORTS IN THE MTN ON BEHALF OF SPANISH SUBSIDIARIES OF US FIRMS WERE TO RESULT IN INCREASED SPANISH ACCESS TO THE U.S. MARKET IN RETURN FOR THE VERY MARGINAL AND UNSOLICITED REDUCTION OF EXPORTING REQUIREMENT, ESPECIALLY IF WE APPEARED, EVEN TACITLY, TO ACCEPT THE HIGH SPANISH DUTIES ON CARS.
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